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TAS

18 August 2003

Productivity Commission
Locked Bag 2, Collins St East
MELBOURNE VIC 8003

Dear Sir or Madam

INQUIRY ON FIRST HOME OWNERSHIP

I am concerned about housing affordability in Australia. However, there is no need for the states to reduce Stamp Duty. The states need Stamp Duty to raise the money needed for schools and hospitals and other services. That revenue is essential. A decrease in Stamp Duty would only lead to a small, short-term decrease in the cost of housing. And would be very expensive to government. It is certainly not a long-term solution to the decrease in housing affordability.

Only people wealthy enough to buy property pay Stamp Duty, those who pay it only pay it a few times in their lives, and it is a handbrake on the buying and selling of property for speculation rather than for reasons of necessity.

Stamp Duty has not increased over the last few years, and is not a factor in the recent large increase in house prices. Stamp Duty itself is only a small proportion of the cost of buying a new house. Stamp Duty is around 3 per cent of the value of property purchased. The price of many houses has increased by as much as 50 percent over the last year or two. Therefore, even if Stamp Duty was totally abolished, those house would still be 47 per cent more expensive than before the boom in house prices. And the states could never afford to completely abolish Stamp Duty. Thus, reducing Stamp Duty would have little effect on housing affordability.

What the government could do to reduce demand for housing is to reduce immigration. The Howard Government has increased immigration to over 100,000 people a year. That is a lot of people, and they all need somewhere to live. If the government reduced immigration there would be less demand for housing, and people would be better off.

The only other solution is for government to increase land availability. In other words, there are two long-term solutions to the housing affordability problem. One is to reduce immigration; the other is to increase the amount of land available for housing. If neither of those steps are taken, housing prices will continue to increase.

Yours faithfully

Tomas Nilsson